

VZCZCXRO6840  
PP RUEHGR  
DE RUEHBH #0149/01 0702037  
ZNR UUUUU ZZH  
P 112037Z MAR 09  
FM AMEMBASSY NASSAU  
TO RUEHC/SECSTATE WASHDC PRIORITY 6192  
INFO RUCNCOM/EC CARICOM COLLECTIVE

UNCLAS SECTION 01 OF 02 NASSAU 000149

SENSITIVE  
SIPDIS

STATE FOR WHA/CAR

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [BF](#)  
SUBJECT: BAHAMIANS WORRIED OVER IMPACT OF STOP TAX HAVEN  
ABUSE BILL ON FINANCIAL SECTOR

¶1. (U) Summary: News concerning the proposed Stop Tax Haven Abuse bill, which names The Bahamas as one of 34 secrecy jurisdictions, has generated considerable discussion in local media and amongst politicians. The financial services sector makes up 15 percent of the country's GDP and, tourism is down and unemployment is up. Some predict the collapse of the entire financial services sector and others say The Bahamas should aggressively lobby Washington against the bill. The GCOB is still deciding how it will address the issue, but has indicated that it already cooperates with the U.S. on anti-terrorism issues in the financial realm and will not "overreact" to the situation. End Summary.

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IN THE MEDIA: ALL TAX HAVEN, ALL THE TIME  
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¶2. (U) News about the Stop Tax Haven Abuse bill dominated local headlines last week, reporting on the negative financial consequences such a bill would have in The Bahamas. One paper ran a political cartoon depicting a smiling President Obama saying "yes we can" while a nervous and sweating Prime Minister Ingraham wonders if the U.S. will crack down on tax havens like The Bahamas.

¶3. (U) The opposition Progressive Liberal Party (PLP), always in the hunt for an electoral issue, has been vocal in opposing the proposed Stop Tax Haven Abuse bill. Former Attorney General Alfred Sears called on the GCOB to aggressively lobby the USG to stop passage of the bill and educate policymakers and the public about the "true nature" of the Bahamian financial industry and their commitment to fighting terrorism financing. Others say the GCOB should engage with neighboring countries worried about the bill and present a united front against the bill to Washington. Minister of State for Finance Zhivargo Laing told local media his office is vigilantly monitoring the situation and pledged that the GCOB will not overreact. Laing appeared hopeful that the TIEA, which The Bahamas signed in 2002, would serve as an advantage for the island nation. Laing also noted that The Bahamas already cooperates fully with the U.S. on anti-terrorism financing matters, pointing out that the established positive working relationship with the U.S. could show Bahamian bonafides as the tax haven issue is discussed in the U.S.

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BAHAMIANS WORRIED ABOUT EMPLOYMENT  
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¶4. (U) Local radio stations and websites have reported many Bahamians worried about what kind of impact a blow to the financial services sector will have on their daily lives. Many appear worried about the impact on employment, as the financial services sector makes up 15 percent of the country's GDP and employs the largest group of people outside of the tourism sector. The tourism sector experienced a significant decline in 2008 as a result of the global

economic downturn, resulting in 1000 laid off hotel employees and an increase in the unemployment rate from 8.7 percent in 2008 to 12.1 percent at present. The threat of additional job losses in the financial services sector as a result of the Stop Tax Haven Abuse bill has many Bahamians worried about their own financial status.

¶5. (SBU) In a meeting with Econoff on March 5, local attorney and PLP advocate Ryan Pinder noted that the inclusion of The Bahamas on the Stop Tax Haven Abuse bill could jeopardize plans to join WTO or "any other ambitions to be in the financial business sector." Pinder said the bill presumes that all money being kept in The Bahamas is unreported income, which is not usually the case. He further highlighted that a tax haven bill would not "chase away EU banks" or prevent EU banks from maintaining their privacy laws. In addition, he predicted the addition of The Bahamas on the OECD blacklist later this year.

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COMMENT  
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¶6. (U) If a Stop Tax Haven Abuse bill passes, that includes The Bahamas, it will be a major blow to the Bahamian economy. There is a real anger that lax regulations by OECD countries such as the UK are to blame for the ripple effect of a crackdown on Caribbean offshore banking destinations. British Prime Minister Gordon Brown recently addressed the U.S. Congress, saying tax havens represent a threat to world savings, effectively passing the buck to jurisdictions such as The Bahamas that offer offshore financial services. Despite this, little attention has been paid to the EU role

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in this issue by the local press. For the moment, The Bahamians are focused on the possible passage of the tax haven bill in the U.S.  
ZUNIGA-BROWN